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AAA

## The Dairyman's Place in Farm Solidarity

*Adapted in the Division of Information from an address by Henry A. Wallace, Secretary of Agriculture, before the annual meeting of the National Cooperative Milk Producers' Federation at Baltimore, Md., November 2, 1937*

Secretary Wallace suggests several elements of policy which the dairy industry will doubtless want to consider carefully as the national farm program is taking shape:

- First**, the agricultural conservation program should be continued, providing for the maintenance and improvement of soil fertility.
- Second**, surplus removal and feeding the unemployed and undernourished are excellent methods of dealing with temporary surpluses of dairy products.
- Third**, in the fluid-milk production areas further development of State and Federal marketing programs should be designed to obtain for the producer a fair share of the price paid by consumers for milk and cream. Such programs should also promote equity among producers in the area through market-wide pooling or other arrangements.
- Fourth**, Federal and State cooperation in the elimination of tuberculosis, Bang's, and other diseases should be continued.
- Fifth**, in addition to the foregoing measures, dairy farmers should examine the ways in which more general farm programs, such as the ever-normal granary, would affect their industry.

### Farmers Depend on Each Other

**T**HE FORTUNES and misfortunes of wheat and corn and cotton producers have been shared by the farmers whose chief product is milk or cream or butter. In the situation following 1929, dairy farmers at first profited from the low prices of feed, but later were plunged into depression as buying power in the cities fell off and as the farmers who ordinarily produce other things turned in large numbers to dairying. In the situation following the droughts of 1934 and 1936, dairymen who buy their feed felt the pinch of high feed prices. The great improvement in farm purchasing power and general purchasing power that has taken place, has had a beneficial effect on dairy producers' incomes.

The dairyman's fortunes are closely connected with stability of economic affairs. Given stability of outside conditions, dairying is one of the most dependable occupations to be found anywhere. The enterprise lends itself admirably to systematic organization. The dairy barn is a little factory in itself. The dairy cow, while she

has been truly called the "foster mother of the human race," is in another sense a milk-producing machine. A barn full of high-producing dairy cows is a factory full of wonderfully efficient machines of great value to their owner and to the public. Like other machines, dairy cows operate with great precision. In their period of lactation they are ready to have the dairyman take their product each morning and each night, without fail. And they expect the dairyman to be equally regular and prompt in providing them with their raw material in the form of their feed. For most dairy farmers, revenue from their enterprise is on as certain and regular a schedule as are the habits of the cows.

**Adversity Forced Competitive Dairying.**—But the best-planned and best-organized dairy business is at the mercy of drastic fluctuations outside itself such as those just described. When grain and cotton farmers and pork and beef producers lose their buying power and stop buying from the city industries, and city workers lose their jobs, and demand for milk falls off, then the price of milk falls off, too, and dairymen share the adversity of their fellows. And when the grain farmers go into dairying as a way out of their own difficulties, troubles are multiplied for those already engaged in dairy production. When crop failure due to drought or other cause cuts down the supply of feed, then feed prices go skyrocketing. From the dairyman's standpoint, this is equally as bad, at least temporarily, as having milk prices fall.

If only these other factors in the dairyman's enterprise could be as well systematized as his own production operations, the dairy business would indeed be one of the most stable and dependable to be found anywhere.

The dairyman has been accustomed so long to these frequent ups and downs that he may have come to look upon them as acts of God about which nothing can be done. But the Nation's experience of the last 4 years shows that many of the things which formerly were looked upon as acts of God were really acts of man, which can be counteracted by acts of man, if man is only intelligent enough. That is why many farmers advocate the adoption of a permanent national farm program which will include an ever-normal granary and which will tend to smooth out some of the fluctuations that have been a bane to dairymen. That is why 60 representative farm leaders met in Washington last February 9 to make recommendations for such a program. That is why President Roosevelt has urged the adoption of such a program. That is why Congress has agreed in a joint resolution to make farm legislation its first order of business. That is why subcommittees of the Senate Committee on Agriculture have held hearings in all parts of the country and why the agricultural committees of both Houses of Congress prepared legislation to be considered at the special session which President Roosevelt called.

**Increased Production Brought Lower Prices.**—Dairy farmers were in a relatively better position than other groups of farmers in the period preceding the great depression. By 1929 demand conditions were more favorable than they had been at any time since the end of the World War. The number of milk cows for each 1,000 of our population was small, cows were being fed liberally, and milk production per cow was high. Farm prices of dairy products averaged 57 percent above the pre-war level.

As the depression gradually deepened and other farmers saw that prices of milk and its products had not slipped so severely as those of grains, meats, and other commodities, they got to thinking that perhaps they ought to try their hand at this dairying business. The result was that many of these farmers began to feed cows for milk production instead of selling their grain at ruinous prices.

The number of milk cows increased 20 percent in the 5 years from the beginning of 1929 to the end of 1933, rising from 22½ million to nearly 27 million. This represented a change from the smallest number to the largest number of milk cows since 1900 for each 1,000 population. Production per cow was cut down by a series of poor pasture seasons and restricted grain feeding, but the total growth in cow numbers was only partially offset and production continued to increase. With the extreme shrinkage of consumer incomes, prices of dairy products fell still further, and by March 1933, averaged 29 percent below the pre-war level, as against 57 percent above in 1929. In March of 1933 dairy farmers could buy with the average pound of their product only 71 percent as much as they could before the war. But at that, the dairy farmers were better off than most other farmers. Therefore, the other farmers, especially in the Corn Belt, continued to go into dairying and competition grew more intense. Surpluses piled up. Markets, especially fluid-milk markets, were thrown into turmoil.

**Farmers Launched United Effort.**—Despite ample supplies and low prices consumers were no longer able to buy because of widespread unemployment and steadily reduced wages. The whole vicious cycle of depression was complete. Corn had been burned for fuel, wheat bins and cotton warehouses were overflowing. Butter prices were extremely low. Under the lash of necessity all the farm groups got together, and demanded action by Congress. The result was the Agricultural Adjustment Act.

With Government cooperation, farmers set out on an active course of self-help. In the summer of 1933, dairy farmers began the operation of a program which covered some of their most immediate needs and helped to restore a measure of stability to the industry. This program, as it gradually developed, was concerned with three functions: Removal of price-depressing surpluses, improvement of marketing conditions, and eradication of cattle diseases.

Surplus removal was accomplished through the purchase of manufactured dairy products for distribution to persons on relief. These purchases helped to stabilize prices, yet left a normal volume of production to flow unhampered through ordinary trade channels. This program, besides affording a measure of protection to dairy farmers' income, made available nutritious food to some of the people who were most in need of well-balanced diets.

The attempt to improve marketing conditions directly was begun through a series of milk-marketing agreement programs. These programs have had a somewhat checkered career because of the twists and turns and blind alleys they have encountered. At the outset, many questions arising in the use of this new device—the marketing agreement—had to be faced by both the cooperatives and the A. A. A. And then, before even the most pressing of these problems had been settled, the legality of operations under the marketing agreements was contested in the courts. As a result, not all of the benefits

that might be expected from them have yet been realized. Nevertheless, marketing agreements and orders have offered one of the principal means of stabilizing markets which appeared to be chronically chaotic. The agreements were designed to provide more satisfactory and fairer pricing systems to producers, to keep prices more nearly in adjustment with immediate supply and demand conditions in the sales area affected, to assure each producer his fair share of the market, and to stop unfair competitive practices. The benefits of these agreements have extended beyond the immediate help to producers' pocketbooks. The whole dairy industry, and the consuming public as well, has gained by the restoration of order and regularity in the conditions surrounding the marketing of dairy products.

**Disease Eliminated; Herds Improved.**—The program for the elimination of diseased cattle was put into effect somewhat later than the first emergency measures. All dairymen were familiar with the Federal-State-county cooperative arrangement for the control of tuberculous cattle which had been carried on since 1917. Most dairymen believed this effort should be broadened and developed on a more intensive scale. In addition, relatively little had been done toward the elimination of Bang's disease, though infected cows generally produce only about four-fifths as much milk and half as many calves as healthy cows. So dairymen felt that the time had come to make an exceptional drive for the improvement of herds. A program was launched which intensified efforts toward tuberculosis eradication and the removal from dairy herds of cows infected with Bang's disease. Cattle were tested at Government expense. Government indemnities were provided when animals had to be destroyed. Dairymen saw, and the public saw, that in the long run healthy herds would mean not only a safer milk supply but more efficient production of better milk at lower costs.

Up to 1936 the three types of programs described comprised the Government's principal efforts on behalf of the dairy industry. Then, under the Soil Conservation and Domestic Allotment Act, a broad-scale conservation program was launched. As thousands of dairy farmers found, this program was well suited to their needs. A great many more farmers in the dairy States have been taking part in the conservation program this year and last than took part in the old production-adjustment programs. In Wisconsin, for example, 1936 participation in the conservation program was so high that the State ranked among the top half dozen in the entire Nation.

**Where Do Dairymen Find Themselves Today?**—Partly as a result of the two serious droughts of 1934 and 1936, dairy herds are smaller and more in line with the long-time trend. The spreading competition from other depressed farmers has ceased to be an active threat and the normally established producers have benefited. Though drought conditions affected milk production per cow, present ample feed supplies indicate increasing production. Last year, in order to bolster the supply of feed and forage available for winter feeding, the A. A. A. modified the agricultural conservation program in order to encourage increased planting of drought-resistant crops. But now the effects of the 1936 drought on dairy feed supplies are almost gone.

More important still has been the substantial improvement in urban consumer demand for farm products. The depression taught the obvious and painful lesson that people cannot buy unless they have money to buy with. In 1937 the national income has been nearly double what it was in 1932.

As a result of all these factors, cash farm income from dairy products last year amounted to about \$1,400,000,000, as compared with less than a billion dollars in 1932. Dairy prices this coming winter will probably be high enough to give dairy farmers a greater profit than at any time since 1929.

Meantime the principal features of the three-way program launched by dairy farmers with the aid of the Government in 1933 and 1934 have been continued. Their usefulness has by no means ceased.

The marketing agreements and orders, however, have been handicapped somewhat by conflicting decisions in the lower courts. One important ground for adverse decisions was removed last spring when Congress reenacted portions of the old Agricultural Adjustment Act in the new Agricultural Marketing Agreement Act. Final court decision on the major legal questions involved appears to be not far distant, and when it comes the dairy industry will at last know where it stands with respect to its efforts to utilize the marketing-agreement method.

**Unbalanced Production Is Danger to Dairymen.**—In the development of the dairy program producer cooperatives have played a significant and valuable part. They have striven consistently to represent producer welfare at a time when organized action was essential. The place of the true farmer cooperatives in the dairy industry should be safeguarded and strengthened.

However, some other branches of agriculture had an even more difficult row to hoe than had the dairy industry since 1933. Just what is the status of the rest of agriculture today?

When we look at the commodity picture, we see that dairymen still have cause to fear additional competition unless the other farm groups receive fair returns for their work. Corn prices are only half what they were a few months ago and if ordinary weather continues a serious wheat problem appears only one season away. If low corn and wheat prices continue, the farmers of the West will inevitably milk more cows.

Some men in the dairy industry have felt that perhaps the conservation program would be a detriment to them by encouraging farmers to diversify their farming and shift from soil depleting to pasture and cover crops and hence to dairying. But the real danger to dairymen is not from the conservation program but from unbalanced production conditions which put producers of other farm commodities in the red.

And, in the case of cotton and pork, unbalanced production brings on still another danger to dairymen. For example, the more the production of cotton increases, the more cottonseed there is available for the manufacture of cottonseed oil. In the same way, big pork production leads to big supplies of lard. Both cottonseed and lard are important in the fats-and-oils picture and both compete with butterfat.

Many dairymen have long believed that all fats and oils are ultimately competitive with each other. Ordinarily we produce in the United States two-thirds as many pounds of cottonseed oil as we produce of butter. Most of the cottonseed oil is used in making cooking compounds to substitute for lard. In 1936 a total of 108 million pounds of cottonseed oil was used in making oleomargarine. It is possible that in 1938 the figure will be larger because of the unusually large cotton crop.

**Fats and Oils Compete Each With Other.**—Those who argue that the diversion of cotton land into soil-conserving uses will increase

greatly the commercial dairy production of the South may well pause to consider whether the competition from the cottonseed-oil production on these lands when in cotton may not be more significant than the competition from a few dairy cows. Anyone who has traveled through the cotton sections of the South and has observed the pastures and the lack of dairy traditions knows the answer.

There may be difference of opinion as to how completely competitive all the fats and oils may be. But there can be no difference of opinion as to the competitive situation which exists between butter, lard, and cottonseed oil. Hog farmers, dairy farmers, and cotton farmers, therefore, have a community of interest which has been all too little appreciated. The corn farmers of the Middle West are certain to compete with the dairy farmers of the East. If they don't do it in one way, they will do it in another. If they grow the maximum acreage of corn, they will produce a greater total of animal proteins and fat than if they divert a part of their corn acreage into soil-building crops. In 1936 we produced only 736 million pounds of federally inspected lard. But by 1939, as a result of the larger corn crop of 1937, we may anticipate a lard production of roughly 1 billion 100 million pounds.

All animal fats and proteins are ultimately competitive. It is essential, therefore, that dairy farmers and corn farmers approach their problem as one problem. Dairy farmers have a real interest in programs designed to balance cotton and pork production with demand. Such programs tend to keep these products in a stable relationship with butterfat. That is why it is to the interest of dairy farmers to work with all farmers toward a program for national agricultural stability. They did it in 1933. They must do it again in 1937 and continuously if there is to be any long-time mutual well-being.

Just what, then, is to be the future relationship of dairying to the rest of agriculture? What agricultural policies are good policies for dairymen and good policies for other farmers, too? The answer to these questions must come from dairy farmers working in cooperation with all other farmers, if equitable programs for agriculture are to be put into operation.

**What should be the broad objective of a national agricultural program?** It seems to me that parity income for agriculture is a desirable goal, and one that would protect and promote the long-time public welfare. As we approach parity of farm income, it will be continually important to see that a proper balance is maintained between the various great branches of the farming industry. Dairy farmers and the other producing groups ought to move forward together.

In those phases of the dairy program which involve special action with respect to prices (through marketing agreements and orders) it will probably be necessary and desirable to retain the modified parity price standard, among others. It will not be possible in years of abnormally large feed supplies, however, to maintain actual parity prices in most fluid-milk markets since it is necessary to take into account demand conditions, the effect of prices upon future supplies, the relation of prices in one market to those in adjacent areas, and the level of prices for milk used for manufactured products. There are several elements of policy which the dairy industry will doubtless want to consider carefully as the national farm program takes shape.



**First, the agricultural conservation program should be continued, providing for the maintenance and improvement of soil fertility.** This program serves the long-time welfare of all agriculture and of the entire Nation. It has already proved its value on dairy farms, where it has led to more efficient and more economical production. By producing and feeding more high-quality roughage and less grain, dairymen are able to produce their milk at less cost.

**Second, surplus removal and feeding the unemployed and undernourished** are excellent methods of dealing with temporary surpluses of dairy products.

**Third, in the fluid milk production areas further development of State and Federal marketing programs should be designed** to obtain for the producer a fair share of the price paid by consumers for milk and cream. Such programs should also promote equity among producers in the area through market-wide pooling or other arrangements. As the powers of the Federal and State Governments in this field become better established it should be possible to strengthen further the effective cooperation that has existed between producers' organizations and governmental agencies in developing and administering programs which are beneficial to producers and which will at the same time deserve the support of the consuming public.

However, while suggesting these primary elements of a program for milk producers, it is well not to be unmindful of another major question for which we may or may not find the answer. This refers to the need, especially among the low-income groups, for a greater consumption of fluid milk. It refers also to the need of milk producers in our urban milksheds to make certain that the largest possible amount of the milk they produce shall go into fluid consumption. The milk programs with which we are now working do not meet this need. Since that is the case, we must keep alert for the discovery of methods which will meet it. Whether this calls for further producer programs, or for distributor or consumer programs, or for better cooperation and contact among all these groups it is difficult to say. But it should be emphasized that here is a vital problem that demands our earnest consideration.

**Fourth, Federal and State cooperation in the elimination of tuberculosis, Bang's and other diseases should be continued.**

**Fifth, in addition to the foregoing measures, dairy farmers should examine the ways in which more general farm programs, such as the ever-normal granary, would affect their industry.** One of the objectives of the ever-normal granary legislation is to carry over the excess corn from the years of abundant production into the years of short production. Normally the carry-over of corn from one year to the next is only about 7 percent of the normal crop. This is not a large enough carry-over to furnish adequate protection against droughts and against the alternating gluts and shortages in the livestock markets. It is possible that the violence of the swings resulting from these gluts and shortages can be materially reduced if the carry-over of corn from one year to the next can be substantially increased over the customary 7 percent. Stable supplies of corn will contribute to stable prices of corn and other feed grains. This will tend to even out the cost of feed to dairy farmers and encourage stability of dairy production. Furthermore, dairymen's losses due to forced liquidation of herds during periods of feed shortage will be reduced. If supplies of feed can be stabilized, then all

kinds of livestock production—dairy, poultry, pork, beef, and other meats—can be kept on a more stable basis.

**Corn Loans May be Used in Setting up Granary.**—Large carry-overs will tend to depress the price unless there is provision for lending money to farmers to carry over a surplus on the farm. We have learned that it is practical to do this kind of thing, because in the fall of 1933 the Government lent 45 cents a bushel on 268 million bushels of corn, and the corn was stored under State warehouse seal on the farms in the Corn Belt States. This corn, which was held over until the drought year of 1934, was of great service in mitigating the results of that drought.

In the forthcoming legislation, it is hoped that the farmers in cooperation with the Government will be enabled to undertake such activities in a manner which specifically protects both the farmer and the consumer. As a result of the Nation's experience with the Farm Board in the years following 1929, we know that it is dangerous to lend large sums of money on farm crops unless there is provision for controlling the surplus when the granary overflows. If there is no provision for controlling the surplus following years of unusually favorable weather, the result is, first, serious loss to the Government on the loans; second, serious loss to the farmer because of low prices; and third, damage to the consumer because the loss in employment and the bad business conditions resulting from the farmers' disaster much more than offset the decline in food prices.

When good weather and the corn loans result in the accumulation of a new crop, plus a carry-over which is more than adequate—that is, more than enough to produce sufficient fat livestock and sufficient dairy and poultry products to protect the consumer—it has been proposed that then the excess should be sealed up and kept off the market. This kind of plan ought to result in a more uniform supply of livestock products from year to year and, therefore, more uniform prices.

**Anything which stabilizes the dairy industry and the rest of agriculture helps to stabilize all business.**—As was said before, dairy farmers, when things are going well for them are usually regarded as good risks by their bankers. But if, through an ever-normal granary, they can be provided with a cushion against the kind of economic disaster for which they are in no way to blame, then they will be regarded as even better risks.

For the dairy industry, and for all agriculture, these are years of building. In the 4½ years since the passage of the Agricultural Adjustment Act, much has been done by farmers to put their industry on a healthy basis. But the battle is only partly won. It will not be completely won until farm prices and farm income are given sufficient stability to assure the permanent soundness of our agriculture.

The American farm home is one of the main pillars of our American democracy, and the fight to bring stability to agriculture is a fight to assure the integrity of the farm home. In this fight, every dairyman is needed. It is his fight, and it is the fight of every cotton and tobacco producer, every wheat grower, every corn farmer, every producer of fruits and vegetables—it is the fight of farmers of the North, South, East, and West, and it is the fight that means economic stability and happiness to all of the 30,000,000 people who live on America's farms.